

Message Text

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ORIGIN AF-07

INFO OCT-01 ISO-00 EB-07 COME-00 RSC-01 FEA-01 AID-05

CIAE-00 FRB-01 INR-05 NSAE-00 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-01 SIL-01 OMB-01 NSC-05 SS-15

STR-01 CEA-01 CU-02 /063 R

DRAFTED BY AF/W-JMSEGARS/JKBISHOP:DFF

APPROVED BY AF-JJBLAKE

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R 2#1950Z NOV 74

FM SECSTATE WASHDC

TO AMEMBASSY MONROVIA

INFO AMEMBASSY ACCRA

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E.O. 11652: N/A

TAGS: BGEN

SUBJECT: CONSULTATIONS WITH FIRESTONE EXECUTIVES

REF: MONROVIA 6576 NOTAL

1. FIRESTONE PRESIDENT RILEY, VICE PRESIDENT LE PAGE, AND WASHINGTON REPRESENTATIVE KIMBALL FIRESTONE CALLED ON ACTING ASSISTANT SECRETARY MULCAHY AT THEIR INITIATIVE NOVEMBER 20 FOR GENERAL DISCUSSION FIRESTONE'S INVESTMENTS IN LIBERIA AND GHANA. BASIC PURPOSE APPEARED BE TO CHECK OUT COMPANY'S ASSESSMENT OF STABILITY LIBERIAN AND GHANAIAAN REGIMES, INCLUDING IMPACT ENERGY CRISIS.

2. FIRESTONE EXECUTIVES FIRST EXPRESSED CONCERN PRESIDENT TOLBERT MIGHT BE UNABLE CHECK AVARICE AND AMBITION OF HIS BROTHER STEVEN. HOWEVER, THEY LATER AGREED WITH DEPTOFFS THAT PRESIDENT AWARE EMBARRASSMENT POTENTIAL OF STEVE'S BUSINESS OPERATIONS AND THAT STEVE HAS NO POWER

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BASE FOR LEADERSHIP BID. DISCUSSION ON GHANAIAN LEADERSHIP CURSORY WITH ASSESSMENTS IDENTICAL.

3. IN DISCUSSING EFFECTS OF ENERGY CRISIS, BOTH SIDES AGREED ON DIFFICULTY SEEING ANY LONG TERM SOLUTION AT THIS TIME. DEPTOFFS PRECLUDED ANY SUBSTANTIAL INCREASE IN U.S. ASSISTANCE TO EITHER COUNTRY, INFORMING FIRESTONE

OFFICIALS LIBERIANS HAD BEEN ADVISED SEEK SOME RELIEF FROM OIL PRODUCERS.

4. DESCRIBING NEGOTIATIONS WITH LIBERIANS, LE PAGE SAID GOL NOT WELL PREPARED. GOL DEMANDS PRESENTED IN MARCH. COMPANY REPLIED IN JUNE. FIRESTONE OFFICIALS WHO WENT TO MONROVIA IN SEPTEMBER TO HEAR GOVERNMENT'S RESPONSE FOUND GOL NOT READY FOR SCHEDULED MEETING. TALKS NOW EXPECTED RESUME AFTER FIRST OF YEAR, WITH GOL STILL DUE COMMENT ON FIRESTONE'S REPLY TO GOL'S INITIAL DEMANDS.

5. ACCORDING RILEY AND LE PAGE, LIBERIAN NEGOTIATING POSITION HAS NOT JELLED. LIBERIAN DELEGATION TOO LARGE FOR EFFECTIVE COORDINATION. LIBERIANS CLEARLY EXPECT INCREASED FINANCIAL BENEFITS. THEY HAVE ASKED FOR HIGHER CORPORATE INCOME TAX PAYMENTS, AS WELL AS TEN PERCENT DUTY ON COMPANY IMPORTS. WITHOUT BEING SPECIFIC, FIRESTONE EXECUTIVES SAID THEY EXPECT TO MEET SOME LIBERIAN DEMANDS. THEY SAID LIBERIAN NEGOTIATORS APPEAR HAVE SOME APPRECIATION ECONOMIC CONSEQUENCES OF ACCEPTANCE THEIR PROPOSALS.

6. DISCUSSING LIBERIANIZATION, FIRESTONE OFFICIALS SAID NUMBER EXPATS REDUCED SUBSTANTIALY. PRINCIPAL PROBLEM FOR COMPANY IS FINDING LIBERIANS WITH REQUIRED TECHNICAL QUALIFICATIONS. LIBERIAN COLLEGE STUDENTS CONTINUE PREFER LIBERAL ARTS TO TECHNICAL EDUCATION AND GOVERNMENT SERVICE TO PRIVATE SECTOR EMPLOYMENT. EVEN THOSE LIBERIANS RECEIVING FIRESTONE SCHOLARSHIPS FREQUENTLY UNWILLING WORK FOR COMPANY AFTER GRADUATION.

7. ALTHOUGH RILEY AND LE PAGE EXPECT PLANTATION LABORERS EVENTUALLY WILL BE UNIONIZED, THEY DID NOT ANTICIPATE LIMITED OFFICIAL USE

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SHARP WAGE INCREASES. LIBERIAN POLITICIANS ALMOST ALL RUBBER PLANTATION OWNERS AND AWARE MUCH HIGHER WAGE BILL IN LABOR INTENSIVE INDUSTRY WOULD MAKE NATURAL RUBBER UNCOMPETITIVE WITH SYNTHETICS. COMPANY OFFICIALS POINTED OUT THAT ALTHOUGH FIRESTONE HAS 99 YEAR LEASE IMPORTANT DECISION ON WHETHER OR NOT TO INVEST IN SUBSTANTIAL REPLANTING ONLY A DECADE AWAY.

8. REVIEWING POSSIBILITIES FOR DOWNSTREAM INVESTMENTS IN LIBERIA, FIRESTONE OFFICIALS SAID EXTREMELY SMALL DOMESTIC MARKET, LOW PERCENTAGE NATURAL RUBBER IN PASSENGER CAR TIRES, AND ADVERSE TRANSPORT ECONOMICS MAKE IT IMPRACTICAL CONSTRUCT TIRE FACTORY IN LIBERIA. CARPET BACKING, PRIMARY USE FOR LIBERIA'S RUBBER, CAN BE MANUFACTURED ONLY AS PART OF CARPET MAKING PROCESS. THIS RULED OUT BY

ADVERSE TRANSPORT ECONOMICS. COMPANY OFFICIALS COULD SUGGEST NO SUITABLE DOWNSTREAM INVESTMENTS.

9. RILEY AND LE PAGE EXPRESSED SATISFACTION WITH THEIR LOCAL IMAGE AND THEIR RELATIONS WITH GOL. THEY CONSIDER FIRESTONE STILL A LEADER IN TERMS BENEFITS PROVIDED FOR EMPLOYEES. THEY INVITED DEPTOFFS TO CONTACT THEM DIRECTLY SHOULD DEPARTMENT BELIEVE COMPANY POLICIES/PRACTICES IMPACTING UNFAVORABLY ON FIRESTONE'S RELATIONS WITH GOL.

10. DISCUSSION OF GHANA INVESTMENT BRIEF, WITH COMPANY EXECUTIVES EXPRESSING SATISFACTION WITH STATE OF RELATIONS WITH NRC. RILEY AND LE PAGE EXPRESSED NO CONCERN ABOUT ONGOING NEGOTIATIONS, STATING THAT ONLY ISSUE APPEARS BE LEGAL DEVICE BY WHICH NRC WILL CONVERT LAST 49 OF ORIGINAL 99 LEASE YEARS TO SOME OTHER ARRANGEMENT MORE POLITICALLY PALATABLE AND AT LEAST SUPERFICIALLY CONSISTENT WITH NRC'S FIFTY YEAR LIMIT ON FOREIGN CONCESSIONS. INGERSOLL

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURAL WORKERS, FRINGE BENEFITS, LABOR AGREEMENTS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE260725
Document Source: CORE
Document Unique ID: 00
Drafter: JMSEGARS/JKBISHOP:DFF
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: D740343-1113
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741183/aaaahfpg.tel
Line Count: 147
Locator: TEXT ON MICROFILM, TEXT ON-LINE
Office: ORIGIN AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: MONROVIA 6576 NOTAL
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 28 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 AUG 2002 by rowelle0>; APPROVED <19-Nov-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> gwr 971107
Subject: CONSULTATIONS WITH FIRESTONE EXECUTIVES
TAGS: BGEN, ELAB, LI, US, BGEN, FIRESTONE PLANTATION CO
To: MONROVIA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005